

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Williamstown Township</b>	County <b>Ingham</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>7/13/05</b>	Date Accountant Report Submitted to State: <b>9/23/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney, P.C.</b>			
Street Address <b>3511 Coolidge Road, Ste 100</b>	City <b>East Lansing</b>	State <b>MI</b>	ZIP <b>48823</b>
Accountant Signature <i>Abraham &amp; Gaffney, P.C.</i>		Date <i>9/2/05</i>	

**Township of Williamstown  
Ingham County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2005**

Township of Williamstown

Ingham County, Michigan

March 31, 2005

BOARD OF TRUSTEES

Mickey Martin

Supervisor

Steve Zaban

Clerk

Al Leblanc

Treasurer

Martin Wright

Trustee

Frans Wilbrink

Trustee

Township of Williamstown

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Township Board  
Township of Williamstown  
Williamston, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Williamstown, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Williamstown, Michigan as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Williamstown's financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 13, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

**New Financial Reporting**

Starting with fiscal year 2005, the Township of Williamstown, Michigan (the "Township") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Township. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- State shared revenue, our largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$9,193 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$2,663 from the prior year. The increase is the net result of increased assessments and a decrease in the millage rate levied by the Township.
- Total fund balances related to the Township's governmental funds decreased by \$5,884.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Williamstown as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Williamstown in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township of Williamstown acts solely as a trustee or agent for the benefit of those outside the government.

Township of Williamstown

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

**The Township as a Whole**

The following table shows, in a condensed format, the net assets as of March 31, 2005. A comparative analysis of data will be presented in future years when the information is available.

<b>Assets</b>	
Current assets	\$ 1,404,755
Noncurrent assets	<u>966,149</u>
Total assets	2,370,904
<b>Liabilities</b>	
Current liabilities	130,744
Noncurrent liabilities	<u>4,072</u>
Total liabilities	<u>134,816</u>
<b>Net Assets</b>	
Invested in capital assets, Net of related debt	948,810
Unrestricted	<u>1,287,278</u>
Total net assets	<u>\$ 2,236,088</u>

The Township's total net assets were \$2,236,088 at March 31, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,287,278 at the end of the fiscal year. The net asset invested in capital assets, net of related debt were at \$948,810. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

<b>Revenue</b>	
Program revenue:	
Charges for services	\$ 141,080
Operating grants and contributions	16,086
Capital grants and contributions	183
General revenue:	
Property taxes	178,775
State shared revenue	318,898
Investment earnings	16,634
Other revenue	<u>16,720</u>
Total revenue	688,376

Township of Williamstown

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

**Program Expenses**

General government	\$ 382,606
Public safety	30,113
Public works	130,648
Community and economic development	40,158
Recreation and cultural	33,110
Other	<u>16,313</u>

Total program expenses	<u>632,948</u>
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<b>Change in Net Assets</b>	<u><u>\$ 55,428</u></u>
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**Governmental Activities**

The Township's governmental revenues totaled \$688,376 with the greatest revenue source being state shared revenue. State shared revenue makes up approximately 46.3 percent of total governmental revenue and property taxes make up approximately 26 percent of total governmental revenue. Over the past few years, state shared revenue has decreased.

The Township incurred expenses of \$632,948 during the year. General government makes up 60.4 percent of total governmental expenditures. General government includes Township Board, Supervisor, Clerk, Treasurer, and various other functions.

**The Township's Funds**

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township of Williamstown as a whole. The Township of Williamstown's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major funds for the fiscal year ended March 31, 2005 include the General Fund and the Cemetery Special Revenue Fund.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the additional expenditures in the Township board, Clerk, Treasurer, and Building and grounds activities.

**Capital Asset and Debt Administration**

At the end of the fiscal year, the Township had \$948,810 invested in a broad range of capital assets, net of related debt, including buildings, land and equipment. During the current year the Township paid \$13,267 in debt principal on an interest free capital lease. The Township has \$17,339 in debt outstanding as of March 31, 2005.

Township of Williamstown

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

**Current Economic Factors**

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for the State's 2004/05 fiscal year calls for a reduction of 3 percent of total revenue sharing. This should mean an additional reduction in revenue sharing of approximately \$9,567 to the Township of Williamstown.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

Township of Williamstown

STATEMENT OF NET ASSETS

March 31, 2005

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 870,936
Investments	484,895
Receivables	40,569
Due from other governmental units	8,355
	<hr/>
Total current assets	1,404,755
Noncurrent assets	
Capital assets, net	966,149
	<hr/>
TOTAL ASSETS	2,370,904
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	89,131
Salaries and withholding payable	27,110
Other accrued liabilities	1,031
Due to other governmental units	205
Current portion of long-term debt	13,267
	<hr/>
TOTAL CURRENT LIABILITIES	130,744
Noncurrent liabilities	
Noncurrent portion of long-term debt	4,072
	<hr/>
TOTAL LIABILITIES	134,816
	<hr/>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	948,810
Unrestricted	1,287,278
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TOTAL NET ASSETS	\$ 2,236,088
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See accompanying notes to financial statements.

Township of Williamstown

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental activities					
General government	\$ 382,606	\$ 75,661	\$ 12,000	\$ -	\$ (294,945)
Public safety	30,113	-	-	-	(30,113)
Public works	130,648	-	4,086	183	(126,379)
Community and economic development	40,158	65,419	-	-	25,261
Recreation and cultural	33,110	-	-	-	(33,110)
Other	16,313	-	-	-	(16,313)
Total	<u>\$ 632,948</u>	<u>\$ 141,080</u>	<u>\$ 16,086</u>	<u>\$ 183</u>	<u>(475,599)</u>
General revenues					
Property taxes					178,775
State shared revenue					318,898
Investment earnings					16,634
Miscellaneous					16,720
Total general revenues					<u>531,027</u>
Change in net assets					55,428
Net assets, beginning of the year					<u>2,180,660</u>
Net assets, end of the year					<u>\$ 2,236,088</u>

See accompanying notes to financial statements.

Township of Williamstown

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2005

	General	Cemetery	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 842,419	\$ 28,517	\$ 870,936
Investments	403,782	81,113	484,895
Receivables			
Accounts	-	4,740	4,740
Interest	138	-	138
Taxes	10,157	-	10,157
Tap-in fees	25,534	-	25,534
Due from other governmental units	8,355	-	8,355
<b>TOTAL ASSETS</b>	<b>\$ 1,290,385</b>	<b>\$ 114,370</b>	<b>\$ 1,404,755</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 88,772	\$ 359	\$ 89,131
Salaries and withholding payable	22,211	4,899	27,110
Other accrued liabilities	1,031	-	1,031
Due to other governmental units	205	-	205
Deferred revenue	25,534	-	25,534
<b>TOTAL LIABILITIES</b>	<b>137,753</b>	<b>5,258</b>	<b>143,011</b>
<b>FUND BALANCES</b>			
Unreserved			
Designated for pool commitment	20,000	-	20,000
Undesignated, reported in			
General fund	1,132,632	-	1,132,632
Special revenue funds	-	109,112	109,112
<b>TOTAL FUND BALANCES</b>	<b>1,152,632</b>	<b>109,112</b>	<b>1,261,744</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,290,385</b>	<b>\$ 114,370</b>	<b>\$ 1,404,755</b>

See accompanying notes to financial statements.

Township of Williamstown

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2005

**Total fund balance - governmental funds** **\$ 1,261,744**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds:

The cost of capital assets is	\$ 1,010,554	
Accumulated depreciation is	<u>(44,405)</u>	
Capital assets, net		966,149

Long-term receivables are not available to pay for current period expenditures and are  
therefore deferred in the funds. These consist of:

Deferred revenue	25,534
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Long-term liabilities, are not due and payable in the current period and therefore  
are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Capital leases	<u>(17,339)</u>
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**Net assets of governmental activities** **\$ 2,236,088**

See accompanying notes to financial statements.

Township of Williamstown

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended March 31, 2005

	General	Cemetery	Total Governmental Funds
REVENUES			
Taxes	\$ 185,367	\$ -	\$ 185,367
Licenses and permits	63,964	-	63,964
Intergovernmental	322,984	12,000	334,984
Charges for services	20,860	44,914	65,774
Interest and rents	20,971	413	21,384
Other	17,092	607	17,699
TOTAL REVENUES	631,238	57,934	689,172
EXPENDITURES			
Current			
General government	311,437	120,170	431,607
Public safety	29,953	-	29,953
Public works	130,648	-	130,648
Community and economic development	40,158	-	40,158
Recreation and cultural	33,110	-	33,110
Debt service	13,267	-	13,267
Other	16,313	-	16,313
TOTAL EXPENDITURES	574,886	120,170	695,056
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	56,352	(62,236)	(5,884)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	24,000	24,000
Transfer out	(24,000)	-	(24,000)
TOTAL OTHER FINANCING SOURCES (USES)	(24,000)	24,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	32,352	(38,236)	(5,884)
Fund balances, beginning of year	1,120,280	147,348	1,267,628
Fund balances, end of year	\$ 1,152,632	\$ 109,112	\$ 1,261,744

See accompanying notes to financial statements.

Township of Williamstown

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

**Net change in fund balances - total governmental funds** \$ (5,884)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 74,508	
Depreciation expense	<u>(25,667)</u>	
Excess of capital outlay over depreciation expense		48,841

Revenue is recorded on the accrual method in the statement of activities. In the governmental funds it is recorded on the modified accrual basis and is not considered available. In the current period, these amounts consist of:

Deferred revenue	(796)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Capital lease retirement	<u>13,267</u>
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<b>Change in net assets of governmental activities</b>	<b>\$ <u>55,428</u></b>
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See accompanying notes to financial statements.

Township of Williamstown

Fiduciary Fund

STATEMENT OF NET ASSETS

March 31, 2005

	Agency Fund
ASSETS	
Cash	<u>\$          1,300</u>
LIABILITIES	
Due to individuals and agencies	<u>\$          1,300</u>

See accompanying notes to financial statements.

Township of Williamstown  
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Williamstown Township, Michigan was organized as a Township in 1937 under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Board that consists of a Supervisor, Clerk, Treasurer, and two Trustees, and provides services to its residents in many areas including sewer, roads, and planning.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No.5*, these financial statements present all financial activities of the Township of Williamstown. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Williamstown contain all the funds controlled by the Township Board.

**2. Jointly Governed Organizations**

The Township participates in the following activity, which is considered to be a jointly governed organization in relation to the Township due to there being no ongoing financial interest or responsibility.

Northeast Ingham Emergency Service Authority (NIESA) - The Township of Williamstown, in conjunction with the City of Williamston, Locke Township, Wheatfield Township, Leroy Township, and the Village of Webberville, entered into an agreement effective January 1, 1999 to create the NIESA to provide fire and emergency services to the constituent municipalities. The Williamston Community Fire and Ambulance Board ceased operations on December 31, 1998.

The Township has one (1) representative on the seven (7) member board. The Township and each constituent municipality levy one (1) mill of tax to support the operations of NIESA. The Township has no other financial responsibility.

**3. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

Township of Williamstown  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Cemetery Fund is used to account for the proceeds of specific revenue sources that are legally restricted to cemetery expenditures.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Township of Williamstown  
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

6. Budgets and Budgetary Accounting

The General Fund and Special Revenue budgets shown as required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the required supplementary information:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities within a fund or any revisions that alter the total expenditures of a fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were not material to original appropriations that are adopted.

7. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and money market mutual fund accounts. Cash in excess of current requirements is invested in certificates of deposit and disclosed as part of the Township's investments. The certificates of deposit are classified as investments due to having an original maturity of over 90 days.

8. Property Tax

The Township of Williamstown bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Township of Williamstown  
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**8. Property Tax - continued**

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1 of the year following the levy. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2005, the Township levied .8531 mills for general governmental services. The total taxable value for the 2004 levy for property within the Township was \$201,275,124

**9. Capital Assets**

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Equipment	5 - 15 years
Vehicles	5 - 10 years

**10. Interfund Transactions**

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**11. Comparative Data**

Comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**12. Accounting Change**

As of April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**12. Accounting Change - continued**

- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$1,359,357, which was the restricted amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.
- Long-term obligations of the primary government reported on the statement of net assets include \$30,606, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.156 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Township of Williamstown

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**Deposits**

As of March 31, 2005, the carrying amounts and the bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular checking	\$ 516,528	\$ 526,103
Savings and certificates of deposit	<u>488,093</u>	<u>488,093</u>
	<u>\$ 1,004,621</u>	<u>\$ 1,014,196</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2005, the Township accounts were insured by the FDIC for \$639,279 and the amount of \$374,917 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

**Investments**

As of March 31, 2005, the carrying amounts and market values for the investments are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Insured or registered for which the securities are held by the Township Board's agent in the Township Board's name		
Money Market Funds	<u>\$ 352,314</u>	<u>\$ 352,314</u>

The amounts referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2005:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$ 870,936	\$ 1,300
Investments	<u>484,895</u>	<u>-</u>
	<u>\$ 1,355,831</u>	<u>\$ 1,300</u>

The cash and cash equivalents captions on the combined balance sheet and statement of net assets include \$196 in petty cash.

Township of Williamstown

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE C: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to Cemetery Fund from:	
General Fund	<u>\$ 24,000</u>

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2005, was as follows:

**Governmental activities**

	Restated Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2005</u>
Capital assets not being depreciated:				
Land	\$ 402,003	\$ 1,113	\$ -	\$ 403,116
Capital assets being depreciated:				
Buildings and improvements	460,400	53,200	-	513,600
Vehicles	34,920	4,500	-	39,420
Equipment	<u>38,723</u>	<u>15,695</u>	<u>-</u>	<u>54,418</u>
Total capital assets being depreciated	534,043	73,395	-0-	607,438
Less accumulated depreciation for:				
Buildings and improvements	( 5,985 )	( 12,175 )	-	( 18,160 )
Vehicles	( 6,902 )	( 4,615 )	-	( 11,517 )
Equipment	<u>( 5,851 )</u>	<u>( 8,877 )</u>	<u>-</u>	<u>( 14,728 )</u>
Total accumulated depreciation	<u>( 18,738 )</u>	<u>( 25,667 )</u>	<u>-0-</u>	<u>( 44,405 )</u>
Net capital assets being depreciated	<u>515,305</u>	<u>47,728</u>	<u>-0-</u>	<u>563,033</u>
Net capital assets - governmental activities	<u>\$ 917,308</u>	<u>\$ 48,841</u>	<u>\$ -0-</u>	<u>\$ 966,149</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 25,507
Public safety	<u>160</u>
Total depreciation expense	<u>\$ 25,667</u>

Township of Williamstown  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2005:

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2005</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental activities					
Capital lease	\$ 30,606	\$ -0-	\$ 13,267	\$ 17,339	\$ 13,267

Significant details regarding outstanding long-term debt (including current portions) are presented below:

**Capital Lease**

The Township has entered into a lease purchase agreement, under act 99 PA of 1933, as amended, to finance the acquisition of office equipment. The liability for the office equipment is recorded in the government-wide financial statements. The cost of the office equipment acquired under the lease purchase agreement amounted to \$39,801. The portion of the office equipment acquired that met the capitalization threshold of the Township, and the related depreciation, has been reported in the equipment caption of Note D. This capital lease has been recorded at the present value of the future minimum lease payments as of the date of its inception. This lease qualifies as a capital lease for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rest with the Township.

Future minimum lease obligations and the net present value of these minimum lease payments as of March 31, 2005, were as follows:

Year Ending <u>March 31,</u>	Office <u>Equipment</u>
2006	\$ 13,267
2007	<u>4,072</u>
Present value of minimum lease payments	<u>\$ 17,339</u>

**NOTE F: RISK MANAGEMENT**

The Township is exposed to various risks of loss including general liability, public official liability, property, auto, and workers' compensation for which the Township carries commercial insurance.

**NOTE G: DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan sponsored by ING Financial Services, which was created in accordance with IRS Section #457. The plan, available to all full time employees, permits them to defer a portion of their current salary until future years. In addition, the Township will make contributions of 3.75% of current salary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the year ended March 31, 2005, the Township contributed \$3,164 to the plan and employees contributed \$9,344.

Township of Williamstown  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE H: INTERGOVERNMENTAL AGREEMENTS**

Pursuant to the provisions of Act 35 of Public Acts of 1951, the Township of Williamstown and the City of Williamston entered into a joint intergovernmental agreement on August 27, 1979. The purpose was to provide for the collection and disposal of wastewater originating in the Township.

The Township paid for the construction of the sewers and had owned them until June 2000. The City agreed to treat 71,400 gallons of sanitary sewage daily and was able to bill and collect for the services it provided. Any routine maintenance was the responsibility of the City. However, the Township agreed to share in any reconstruction or major repairs to the system.

The cost of the original construction in the Township was approximately \$835,000. After Federal and State contributions, the Township borrowed \$300,000 and established a special assessment district to finance the payback. The liability has since been paid in full.

On August 11, 1987, the Township and the City added an addendum to the original agreement outlining compensation due to the City for major improvements made to the system. The Township agreed to pay 11% of the principal and interest on the \$2,600,000 1987 General Obligation Bonds issued by the City to finance the venture. The Township received credit for the debt service portion of sewer revenues the City received from the Township residents. The net payment was then financed by the General Fund.

On April 22, 1999, the Township and the City executed a settlement agreement effective April 22, 1999, which amended certain provisions of the agreement dated August 27, 1979, and amended on August 11, 1987. The settlement agreement released and discharged the Township from further debt service obligations related to the original agreement.

Pursuant to the provisions of Act 425 of Public Acts of 1984, the Township of Williamstown and the City of Williamston entered into an agreement in June 2000 to conditionally transfer property from the Township to the City in order to provide improvements including water and sanitary sewer, leaf pickup, street maintenance and repair, and storm water drainage to the transferred area. All taxes within the transferred area are to be levied and collected by the Township at normal Township millage rates. In return for the services provided to the transferred area, the Township shall pay to the City \$1,879 annually, adjusted annually by the rate of inflation set by the Consumer Price Index, not to exceed five percent in any one year and the City shall pay the Township a portion of their State revenue sharing received based on single family units within the transferred area. The term of this agreement is for fifty (50) years and may be renewed for an additional fifty (50) years with both municipal governments' written agreement.

**NOTE I: COMMITMENTS**

The Township entered into an agreement on July 19, 1996 with Williamston Community Schools whereby the Township agrees to pay the Schools \$10,000 per year for ten (10) years in exchange for use of the School's pool facility by Township residents. As of March 31, 2005, the Township has outstanding commitment to the Schools of \$20,000.

**NOTE J: FUND BALANCE DESIGNATIONS**

Designated fund balance indicates that portion of the fund balance that the Township has set aside for specific purposes. The following are the fund balance designations as of March 31, 2005:

General Fund	
Designated for pool commitment	\$ <u>20,000</u>

Township of Williamstown  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the required supplementary information to the basic financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended March 31, 2005, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Township board	\$ 62,789	\$ 68,198	\$ 5,409
Public works			
Drains at large	83,500	91,692	8,192
Road improvements and maintenance	30,000	34,625	4,625
Other			
Employee insurance	400	1,623	1,223
Payroll taxes	10,000	11,063	1,063

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 163,500	\$ 163,500	\$ 171,760	\$ 8,260
Delinquent personal property taxes	-	-	6,829	6,829
Trailer tax	200	200	186	(14)
Administrative fees	1,400	1,400	6,592	5,192
Total taxes	165,100	165,100	185,367	20,267
Licenses and permits				
Cable television license	15,000	15,000	17,820	2,820
Building permits	38,000	38,000	46,144	8,144
Total licenses and permits	53,000	53,000	63,964	10,964
Intergovernmental - State				
Sales and use tax	317,261	317,261	318,898	1,637
Metro act	-	-	4,086	4,086
Total intergovernmental	317,261	317,261	322,984	5,723
Charges for services				
Planning fees	30,000	30,000	19,275	(10,725)
Copies	900	900	1,130	230
Other	900	900	455	(445)
Total charges for services	31,800	31,800	20,860	(10,940)
Interest and rents				
Interest	13,000	13,000	16,221	3,221
Rentals	2,000	2,000	4,750	2,750
Total interest and rents	15,000	15,000	20,971	5,971
Other				
Special assessments	5,620	5,620	979	(4,641)
Refunds and rebates	-	-	3,112	3,112
Miscellaneous	10,329	10,329	13,001	2,672
Total other revenue	15,949	15,949	17,092	1,143
TOTAL REVENUES	598,110	598,110	631,238	33,128

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Township board	\$ 59,039	\$ 62,789	\$ 68,198	\$ (5,409)
Supervisor	27,200	27,200	25,877	1,323
Clerk	30,598	32,873	32,748	125
Board of review	2,200	2,200	974	1,226
Treasurer	32,008	36,508	34,726	1,782
Assessor	42,000	42,000	37,051	4,949
Elections	12,750	12,750	12,458	292
Building and grounds	41,833	42,308	41,202	1,106
Cable commission	500	910	585	325
Board of appeals	2,500	2,500	1,755	745
Township office	63,222	63,222	55,863	7,359
Total general government	313,850	325,260	311,437	13,823
Public safety				
Building inspection	38,700	38,700	29,953	8,747
Public works				
Drains at large	83,500	83,500	91,692	(8,192)
Road improvements and maintenance	30,000	30,000	34,625	(4,625)
Recycling/transfer station	4,540	4,540	4,331	209
Total public works	118,040	118,040	130,648	(12,608)
Community and economic development				
Planning commission	55,222	55,222	38,870	16,352
Zoning administrator	5,700	5,700	1,288	4,412
Total community and economic development	60,922	60,922	40,158	20,764
Recreation and cultural				
Red Cedar Association	8,000	8,000	7,520	480
Park land maintenance	20,000	20,000	15,590	4,410
Pool appropriations	10,000	10,000	10,000	-0-
Total recreation and cultural	38,000	38,000	33,110	4,890
Debt service	13,267	13,267	13,267	-0-

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Other				
Employee insurance	\$ 400	\$ 400	\$ 1,623	\$ (1,223)
Payroll taxes	10,000	10,000	11,063	(1,063)
Pension plan	5,000	5,000	3,164	1,836
Unemployment	25	1,085	457	628
Miscellaneous	1,500	1,500	6	1,494
Contingency	30,000	17,530	-	17,530
Total other	46,925	35,515	16,313	19,202
TOTAL EXPENDITURES	629,704	629,704	574,886	54,818
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,594)	(31,594)	56,352	87,946
OTHER FINANCING USES				
Transfer out	(24,000)	(24,000)	(24,000)	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(55,594)	(55,594)	32,352	87,946
Fund balance, beginning of year	1,120,280	1,120,280	1,120,280	-0-
Fund balance, end of year	<u>\$ 1,064,686</u>	<u>\$ 1,064,686</u>	<u>\$ 1,152,632</u>	<u>\$ 87,946</u>

Township of Williamstown

Cemetery

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 12,000	\$ -0-
Charges for services	27,200	27,200	44,914	17,714
Interest and rents	2,000	2,000	413	(1,587)
Other	200	200	607	407
TOTAL REVENUES	41,400	41,400	57,934	16,534
EXPENDITURES				
General government	130,320	130,320	120,170	10,150
EXCESS OF REVENUES (UNDER) EXPENDITURES	(88,920)	(88,920)	(62,236)	26,684
OTHER FINANCING SOURCES				
Transfer in	24,000	24,000	24,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(64,920)	(64,920)	(38,236)	26,684
Fund balance, beginning of year	147,348	147,348	147,348	-0-
Fund balance, end of year	<u>\$ 82,428</u>	<u>\$ 82,428</u>	<u>\$ 109,112</u>	<u>\$ 26,684</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Township of Williamstown

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended March 31, 2005

REVENUES

Licenses and permits	
Building permits	\$ 46,144
Charges for services	
Planning fees	<u>19,275</u>
Total construction code revenues	65,419

EXPENDITURES

Public safety	
Building inspection	29,953
Community and economic development	
Zoning administrator	1,288
Planning commission	<u>38,870</u>
Total community and economic development	<u>40,158</u>
Total construction code expenditures	<u>70,111</u>
Excess of revenues (under) expenditures	<u><u>\$ (4,692)</u></u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Members of the Township Board  
Township of Williamstown  
Williamston, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Township of Williamstown, Michigan, as of and for the year ended March 31, 2005. In connection with the audit we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Township should assure all applicable personnel issues are documented.

During our testing of the payroll process we noted that four (4) of the five (5) transactions tested did not have pay rates that were specifically authorized detailing the breakdown of each employee's individual pay rate. This issue had been noted and reported in our previous audit comments. We also noted that three (3) of the five (5) transactions tested did not have a supervisor's signature or initials documenting approval.

We suggest that payroll records be reviewed and that all wage rates be specifically approved by the Board and documented in the minutes, or an approved employment agreement be placed in each individual's personnel file. We also suggest that all timecards be signed or initialed indicating approval by the supervisor.

2. The Township should assure that the approvals of expenditures are specifically documented in the Board minutes.

During our review of the board minutes, we noted that the minutes do not document the approval of expenditures by noting the range of checks being approved or the total value of invoices to be paid. This issue had been noted and reported in our previous audit comments.

We suggest that the Township present all checks to the Board prior to disbursement, and that invoices to be paid are approved by the Board by indicating the range of check numbers and total value to be paid.

3. The Township should adopt an electronic transactions resolution.

During our analysis of internal controls, it was noted that the Board has not implemented a written electronic transaction resolution as required by Michigan Compiled Law. Public Act 738 of 2002 requires that local units of government that utilize electronic transactions adopt a written Electronic Transaction Resolution. This issue had been noted and reported in our previous audit comments.

We suggest the Board prepare a formal electronic transaction resolution that complies with the compiled law and adopt it through Board action as soon as possible.

4. The Township Board should adopt a capital asset management policy.

During discussions with management, we noted that the Board of Directors has not formally implemented written procedures and policies for capital asset management.

We suggest that the Board adopt a policy for the capitalization and disposal of fixed assets. The policy should specify criteria for capitalizing assets, including the per unit dollar value threshold to be used. Items below the threshold established by the Board may be expensed as they are purchased. The policy should also specify that the disposal of capital assets require formal approval by the Township Board. Such approval should be documented in the minutes of the Board meetings.

5. The Clerk and Treasurer should periodically reconcile the financial activity of the Township.

During the course of our audit, we noted that the Township Clerk and the Township Treasurer did not periodically reconcile the financial activity of the Township throughout the year. Michigan Compiled Law statutorily requires the Township Clerk to maintain custody of all Township records, maintain the general ledger, prepare warrants for Township checks, and prepare financial statements. Michigan Compiled Law statutorily requires the Township Treasurer to collect property taxes, keep an account of Township receipts and expenditures, issue Township checks, deposit Township revenues in approved depositories, and invest Township funds in approved investment vehicles.

Because fulfilling the financial accounting responsibilities for the offices of Clerk and Treasurer are interdependent, we suggest that the Clerk and Treasurer reconcile their respective accountings of Township revenues and expenditures periodically throughout the year, preferably monthly. Reconciling the records of these two officials will assure greater accuracy of the financial reporting and strengthen the internal controls of the Township.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated July 13, 2005.

This report is intended solely for the information of management and the Members of the Township Board of the Township of Williamstown and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 13, 2005

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
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Eric J. Glashouwer, CPA



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## REPORT ON INTERNAL CONTROL

To the Members of the Township Board  
Township of Williamstown  
Williamston, Michigan

We have audited the financial statements of Township of Williamstown as of and for the year ended March 31, 2005, and have issued our report thereon dated July 13, 2005.

In planning and performing our audit of the financial statements of Township of Williamstown for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

The management of Township of Williamstown is responsible for establishing and maintaining an internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with another comprehensive basis of accounting. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted a certain item involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

### RECONCILIATIONS OF BANK ACCOUNTS

During our analysis of the Township's cash accounts, we noted that the General Fund bank statement had not been reconciled with the general ledger on a timely basis. We also noted that one bank reconciliation that had been prepared identified checks as being outstanding that had cleared on previous bank statements. As a result the reconciliation did not properly reconcile to the general ledger. This issue was noted and reported in our audit comments last year.

We recommend the Township assure that reconciliations are prepared on a monthly basis for all bank accounts and that the reconciliations be performed in a timely manner. All differences should be researched and identified and any adjustments should be recorded in the general ledger in a timely manner.

## SEGREGATION OF DUTIES IN THE CASH RECEIPTING PROCESS

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties related to cash receipts. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipting, depositing, bank reconciliations, posting journal entries, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Township review its cash receipting process and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

A material weakness is a condition in which the design or operation of one (1) or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. The reportable condition referred to above is believed to be a material weakness.

This report is intended solely for the use of management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 13, 2005